

## Contingencies

The Contingency Fund (also commonly referred to as a “rainy day fund”) provides for revenue shortfalls and unanticipated costs that may occur after the budget is adopted. The possibility of natural disasters, public or employee safety emergencies or up-front costs for productivity opportunities necessitates the need for adequate contingency funds. Use of these contingency funds requires City Council approval.

### GENERAL FUND CONTINGENCY

The budget reflects an increase in the General Fund contingency from the 2003-04 budgeted level of \$22,700,000 to \$23,800,000. The increase results primarily from stepping up base level funding from 2.5 percent to 2.6 percent of operating expenditures.

In 1995-96, the City Council adopted a policy to slowly increase the base contingency amount to 3 percent of operating expenditures. The following table shows the progression from the 2.5 percent level in 1995-96 to 3 percent in 2000-01. In 2003-04, a budget reduction returned the base to 2.5 percent. The budget increases the base by \$1.1 million to 2.6 percent of operating expenditures

in 2004-05. This is a first step toward a return to a 3 percent level.

The following table also shows set-aside amounts. Set-asides have been used in the past to prepare for known future costs such as declining grant funding and new capital project operating costs. No set-asides are proposed for 2004-05.

**Comparison of Annual Budget for General Purpose Fund Contingency Amount to Operating Expenditures (000's)**

Fiscal Year	General Purpose Fund Operating Expenditures*	Contingency and Set-Aside Amounts	Percent of Operating Expenditures
1995-96	\$633,964	\$15,625 3,000	2.5%
1996-97	674,619	17,318 1,320	2.6
1997-98	711,266	19,000 —	2.7
1998-99	748,937	21,000 1,150	2.8
1999-00	797,633	23,408 1,800	2.9
2000-01	883,196	26,780 4,600	3.0
2001-02	887,644	26,550 7,600	3.0
2002-03	912,192	27,190 3,652	3.0
2003-04	912,583	22,700 —	2.5
2004-05	925,603	23,800	2.6

\*Prior to 2001-02, Development Services operating expenditures were included in the General Fund contingency calculation. A separate contingency has been established in that fund.



## OTHER FUND CONTINGENCIES

Similar to the General Fund, other funds also include contingency amounts. The contingency amounts and percentages of total operating expenditures vary to accommodate differences in the volatility of operations and revenues. Use of these amounts requires City Council approval. The following table shows the contingency amount for each of the other funds.

**2004-05 Other Fund Operating Expenditure and Contingency Amount (000's)**

Fund	Operating Expenditures	Contingency Amount	Percent of Operating Expenditures
Transit 2000	\$ 89,569	\$ 4,020	4.5%
Development Services	43,431	1,500	3.5
Aviation	228,502	10,000	4.4
Water	216,789	26,200	12.1
Wastewater	134,569	14,821	11.0
Solid Waste	93,396	3,000	3.2
Civic Plaza	46,876	5,000	10.7
Golf	6,383	50	0.8

